Defining Value: Balancing Costs and Effectiveness

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Objectives

- ***Discuss relationship of Evidence Based Medicine to the Uniform Formulary decision making process.***
- ***Define "Value".***
- ***Discuss role of Military Treatment Facilities as the DoD pharmacy benefit continues to evolve.***

Evidence Based Medicine

Approach to health care practice in which the clinician is aware of the evidence in support of his/her clinical practic and the strengths of that evidence

- McMaster University

The conscientious, explicit, and judicious use of current b evidence in making decisions about the care of individual patients

- BMJ 312:71-2

Clinical Practice Problem Solving

Traditional Approach

- **Identify problem**
- **Experience**
- **Consult colleague**
- **Consult reference text**
- **Read a review**

EBM Approach

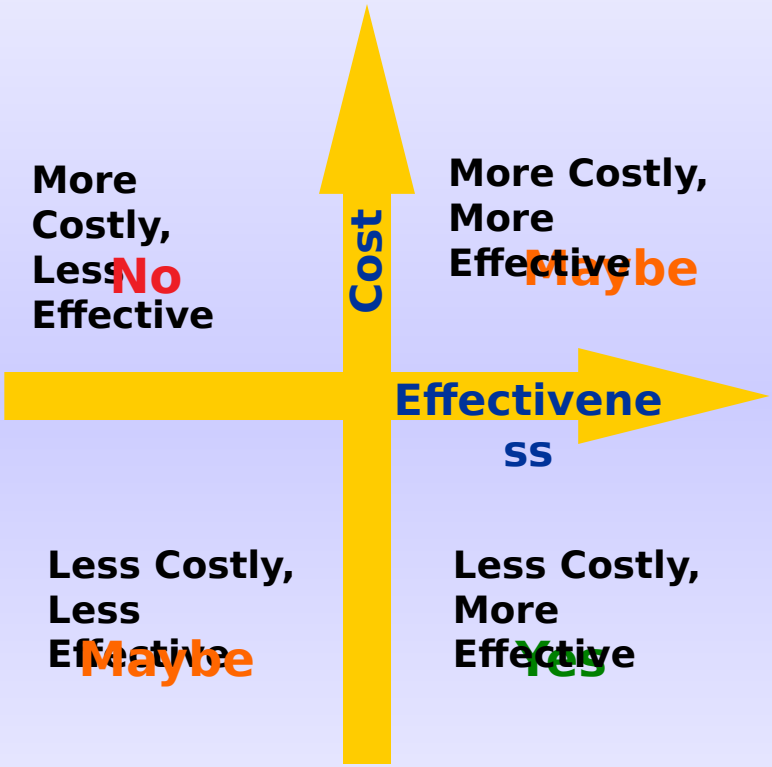
- **Clinical question**
- **Literature search**
- **Key articles**
- **Critically appraise**
- **Apply result to your patient**

Decision Support

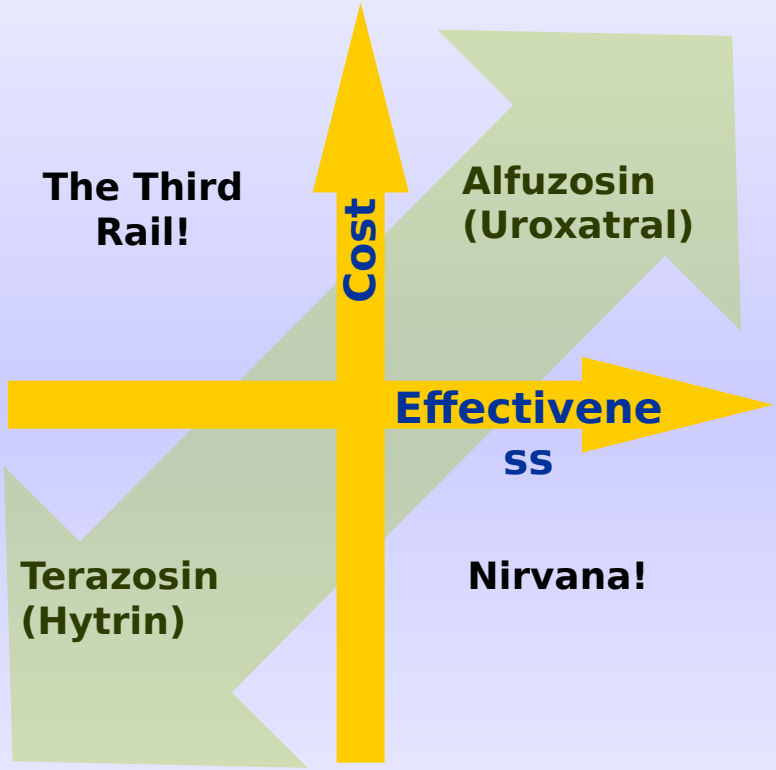
Decisions determine the allocation of resources

Decision Analysis – Method used to compare at least two competing alternatives for the purpose of achieving decisions that consider chance and uncertainty associated with a desired outcome

Uniform Formulary (UF) Value



The Cost Effectiveness Plane



The Cost Effectiveness Judgment

Why is this important?

Pentagon eyes $60 billion in budget cuts

While the Navy sees its budget slashed, the Army may get a boost.

By Eric Schmitt
NEW YORK TIMES

WASHINGTON — The Pentagon plans to retire one of the Navy's 12 aircraft carriers, buy fewer amphibious landing ships for the Marine Corps, and delay the development of a costly Army combat system, defense and congressional officials said Wednesday.

The proposed reductions, part of $60 billion in proposed cuts over the next six years, require congressional approval.

They result from White House orders to all federal agencies to cut their spending requests for the 2006 fiscal year budgets.

Since the November elections, the White House has been under growing pressure to offset mounting deficits and at the same time pay for the unexpectedly high costs of military operations in Iraq and Afghanistan, which combined now amount to more than $5 billion a month.

The proposed Pentagon cuts, which include sharply reducing the Air Force's F/A-22 fighter jet program and delaying the purchase of a new Navy destroyer, would for the first time since the 9-11 attacks slow the growth in Pentagon spending.

The defense budget has risen 41 percent in that period, to about $425 billion this year. Defense and congressional officials said the Pentagon was looking to trim up to $10 billion in the 2006 budget alone.

The budget-cutting likely will foreshadow additional reductions of weapons designed in the Cold War.

It also will mean more revamping of America's arsenal as the Pentagon prepares for its quadrennial review of military weapons and equipment to address security threats, including the insurgency in Iraq and a possibly resurgent China.

One of the winners from this round of budget work is likely to be the Army, some military budget analysts and Pentagon officials said.

While the other armed services have been forced to scale back their weapons modernization plans, the Army is spending billions of dollars a year to add as many as 15 brigades in the next several years.

Among the proposed cuts, the Navy takes some of the most prominent hits.

Analysts said that's in large part because the service, under naval operations chief Adm. Vern Clark, has created efficiencies in its operations that allow for reductions.

Military Update: Joint Chiefs to back higher TRICARE fees

- Tom Philpott, Daily Press, January 1, 2006

- **“alarmed that soaring health care costs”**
- **“crimping dollars for higher-priority programs”**
- **“Winkenwerder's plan is to have working-age retirees and family members pay a bigger share of their TRICARE costs or use alternate health plans offered by civilian employers.”**

Prescription Cost Analysis by POS

Averages for 90-day supply of Brand Name Drugs

	MTF	TMOP	TRRx
Drug Cost	**$ 142**	**$ 173**	**$ 358**
Refund	**n/a**	**n/a**	**- $ 99**
Net Drug Cost	**$ 142**	**$ 173**	**$259**
			FCP = $ 210
Dispensing Fee/Cost	**+ $ 8** (estimate)	**+ $ 11**	**+ $ 6**
Copay	**n/a**	**- $ 9**	**- $ 27**
Net Rx Cost	**$ 150**	**$ 175**	**$ 233**

Source: PDTS, 1 Oct 04 – 30 Jun 05, Top 50 TRRx NDCs

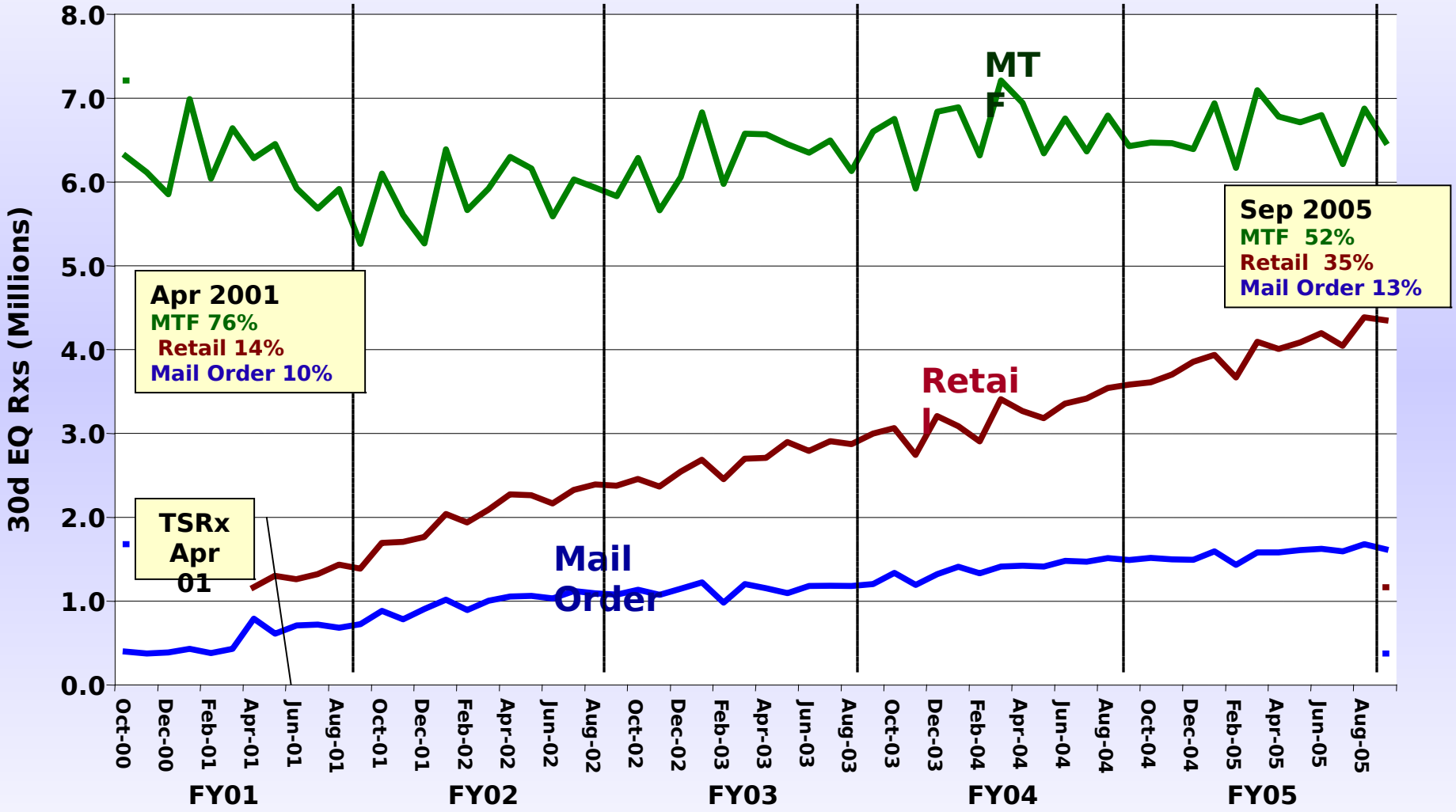
MHS Outpatient Drug Spend
($Millions)

	FY02	FY03	FY04	FY05
MTF	$1,388	$1,565 (↑ 12.7%)	$1,704 (↑ 8.9%)	$1,615 (↓5.2%)
Retail	$1,278	$1,847 (↑ 44.6%)	$2,430 (↑ 31.6%)	$3,162 (↑30.1%)
Mail Order	$347	$429 (↑ 23.4%)	$546 (↑ 27.3%)	$629 (↑15.2)
Total	$3,013	$3,841 (↑ 27.5%)	$4,680 (↑ 21.8%)	$5,406 (↑15.5%)
Cost per Beneficiary	$347	$430 (↑ 23.9%)	$511 (↑ 18.9%)	$587 (↑14.8%)

Sources: PDTS and Prime Vendor data

30-day Equivalent Rxs

By POS, Oct 00 – Sep 05



Uniform Formulary Experience FY2005

"The more things change, the more they remain… Insane".

- Fry and Lewis

- **ARB and PPI (February)**
- **PDE-5, MS, and Topical Antifungal (May)**
- **ACEI, CCB, & BPH alpha blockers (Aug)**
- **Antidepressants, Alzheimer's agents, Nasal Steroids & Macrolide/Ketolides (Nov)**

Uniform Formulary Class Reviews

February 2005 – August 2005

DRUG CLASS NAME	Total Cost	% TotPercent of Total Drug
LIPOTROPICS	$424,442,255	8.99%
GASTRIC ACID SECRETION REDUCERS	$381,178,721	8.08%
NSAIDS, CYCLOOXYGENASE INHIBITOR - TYPE	$272,565,948	5.77%
ANTIHISTAMINES - 2ND GENERATION	$149,855,616	3.17%
CALCIUM CHANNEL BLOCKING AGENTS	$116,453,688	2.47%
HYPOTENSIVES,ANGIOTENSIN RECEPTOR ANTAGONIST	$106,758,319	2.26%
HYPOTENSIVES, ACE INHIBITORS	$75,831,858	1.61%
BENIGN PROSTATIC HYPERTROPHY/MICTURITION AGENTS	$43,814,224	0.93%
AGENTS TO TREAT MULTIPLE SCLEROSIS	$41,622,747	0.88%
DRUGS TO TREAT IMPOTENCY	$23,136,186	0.49%
2ND GEN ANTIHISTAMINE & DECONGESTANT COMBINATIONS	$14,169,120	0.30%
TOPICAL ANTIFUNGALS	$10,842,509	0.23%
ALZHEIMER'S THERAPY, NMDA RECEPTOR ANTAGONISTS	$6,432,139	0.14%
Cumulative Percent of Total Drug Cost*		**35.32%**
***FY04 Total Outpatient Drug Cost = $4,720,218,798**		
Drug Class Reviewed by DoD P&T Committee		
Class with existing contract or impending generic competition		

PEC Mission

Improve the clinical, economic, and humanistic outcomes of drug therapy in support of the readiness and managed care missions of the Military Health System

Bravo Zulu

“The memo most certainly reads as if the outcome was indeed pre-programmed so, at least we'll hit the budgetary cut point.”

“A skeptical read on this is that the drugs were identified as relatively expensive and on this basis targeted for deletion with the rationale following from there.”

“…another sad example of having patients and clinicians carry the risk of budget-based decisions…”

“…7 bad individual decisions don't make 1 correct collective one…”

“I believe, as do my staff, that the PEC recommendation should be changed.”

“Those of us who’ve been around a while have seen “shifting formulary sands before… some successes and some notable failures.”

“Locally, we intend to make clinical decisions on use of specific agents with the best interest of the individual patient in mind.”

- anonymous

Pharmacy Program Factoid:

Unless someone like you cares a whole awful lot, nothing is going to get better. It's not.

- Dr. Seuss, The Lorax

www.pec.ha.osd.mil

Promoting high quality, cost effective drug therapy throughout the Military Health System

Pharmacy Cost Trend Components

FY02 – FY05

	FY02-FY03	FY03-FY04	FY04-FY05
Change in Prevalence % Beneficiaries Using the Pharmacy Benefit	5.2%	0.7%	2.9%
Change in Intensity 30 day Equivalent Rxs per User	6.3%	6.3%	6.8%
Price Changes Weighted % Change in price of Drugs	5.5%	6.7%	5.9%
Mix/New Drugs Change in drug mix and new drug usage	5.1%	4.0%	-1.4%
% Change in Average Cost per Beneficiary per Year	23.8 %	18.9 %	14.8 %

Sources: M2, PDTS, and Prime Vendor data